

HOUSE BILL REPORT

ESHB 2289

As Passed Legislature

Title: An act relating to expanding the energy freedom program.

Brief Description: Expanding the energy freedom program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative McCoy).

Brief History:

Committee Activity:

Capital Budget: 2/24/09, 2/27/09 [DPS].

Floor Activity:

Passed House: 3/6/09, 88-7.

Senate Amended.

Passed Senate: 4/17/09, 45-0.

House Concurred.

Passed House: 4/21/09, 92-4.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Expands the Energy Freedom Program to accelerate energy efficiency improvements, renewable energy improvements, and deployment innovative energy technology markets in Washington.
- Creates the Energy Recovery Act Account.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, Orwall, Smith and White.

Minority Report: Do not pass. Signed by 1 member: Representative McCune.

Staff: Nona Snell (786-7153)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

In 2006 the Legislature established the Energy Freedom Program (Program) and the Energy Freedom Account in the Washington Department of Agriculture to develop a viable biofuel industry to promote public research and development in biofuel sources and markets, and to support a viable agriculture industry to grow biofuel crops. In 2007 the Legislature transferred responsibility of the Program and the Energy Freedom Account to the Department of Community, Trade and Economic Development (DCTED) and created the Green Energy Incentive Account within the Energy Freedom Account.

The Program provides financial and technical assistance to cities, counties, ports, special purpose districts, and other political subdivisions of the state, as well as federally recognized tribes, and state institutions of higher education for the types of projects listed below. Under the Program, a project may receive up to \$5 million from the Energy Freedom Account as long as the support constitutes no more than 50 percent of the total project costs. The following are the criteria for selecting projects:

- conversion of farm products, wastes, cellulose, or biogas directly into electricity, biofuel, or other coproducts;
- technical feasibility and assistance in moving commercially viable projects into the marketplace;
- use of feedstocks produced in the state;
- increased energy independence or diversity;
- production of long-term economic benefits, including new jobs, job retention, or higher incomes; and
- options for the state to purchase a portion of the fuel or feedstock produced by the project.

Appropriations made to the Green Energy Incentive Account are dedicated for refueling station development, plug-in hybrid pilot projects, and hydrogen vehicle demonstration projects.

Summary of Engrossed Substitute Bill:

The Energy Freedom Program (Program) is expanded to receive federal funds and to accelerate energy efficiency improvements, renewable energy improvements, and deployment of innovative energy technologies.

Financial assistance may be provided to the state, political subdivisions of the state, federally recognized Indian tribes, nonprofit 501(c)(3) organizations, and private entities that are eligible to receive federal funding.

The definitions of energy efficiency and renewable energy improvements are added to the Program. Energy efficiency means an installation or modification that is designed to reduce energy consumption. It includes insulation; storm windows and doors; automatic energy control systems; heating, ventilating, or air conditioning and distribution systems; caulking and weather stripping; energy recovery systems; geothermal heat pumps; and daylighting systems. Renewable energy improvements means a fixture, product, system, device or

interacting group of devices that produces energy from renewable sources. It includes photovoltaic systems; solar thermal systems; small wind systems; biomass systems; and geothermal systems.

The definition of project is expanded to include energy efficiency improvements, renewable energy improvements, innovative energy technologies, and clean energy projects identified by the Clean Energy Council (established in Substitute Senate Bill 5921).

The director of the Department of Community, Trade and Economic Development (CTED) must appoint a coordinator that is responsible for coordinating state efforts to promote biofuels, energy efficiency, renewable energy, and innovative energy technology markets in the state.

When reviewing applications for energy efficiency improvements, renewable energy improvements, or innovative energy technology, applicants may be awarded grants or loans if the project or program:

- will result in increased access to energy efficiency improvements, renewable energy improvements, or innovative energy technologies;
- demonstrates technical feasibility and assists in moving a project into the marketplace for use by Washington citizens;
- does not require continued state support; or
- the federal government has provided funds with a limited time frame for use.

The Energy Recovery Act Account (Account) is created as an appropriated account in the State Treasury. State and federal funds may be deposited into the Account. Any loan payments or principal and interest derived from loans made from the Account must be deposited into the Account. Funds may be used for loans, loan guarantees, and grants that encourage the establishment of innovative and sustainable industries for renewable energy and energy efficiency technology. The director of CTED must establish policies for funding projects and must consider the clean energy leadership strategy in developing these policies.

If the requests for funding exceed the amount of funds available in the Energy Freedom Account, applications must be prioritized based on several criteria, including the extent to which the project will establish a viable energy efficiency, renewable energy, or innovative energy technology industry in the state.

Appropriation: None.

Fiscal Note: Requested on February 23, 2009.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Projects will be brought online that will reduce our dependence on oil-based products. Smart grid, smart metering, electric, geothermal, wind, biogas, wastewater, anaerobic, wave, tidal, and solar are some of the types of projects covered.

(Opposed) None.

Persons Testifying: Representative McCoy, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.